

The Washington Post
February 22, 2005

We Must Lead the Way on Free Trade

By Naotaka Matsukata

Trade has proved to be an invaluable asset for U.S. foreign policy, fostering more self-sustaining economic growth among key regions of the developing world than any imaginable forms of traditional foreign aid. Free trade is one of the critical components of U.S. efforts to develop enduring, stabilizing influences in the Middle East, South Asia and Africa -- key regions for our work to thwart the rise of terrorism and illiberal government.

Robert Zoellick, who did much during his time as U.S. trade representative in advancing this country's free-trade ambitions, begins today as deputy secretary of the State Department, where he can, I hope, reinforce these promising themes in foreign policy. But his successor in the trade post will probably have a different agenda from the one Zoellick pursued. For the next trade representative, the immediate focus should be not on new deals overseas but on securing the achievements of recent years here at home -- with Congress.

For it is in Congress that the success or failure of this administration's policy of trade liberalization will be determined -- specifically on the question of whether it ratifies one of the most important measures before it: the Central American Free Trade Agreement (CAFTA). This decision will be of singular importance for the Bush administration's ability to deliver on its commitment to global free trade and to deliver tangible progress on promises of economic leadership to critical developing regions and emerging markets.

Well beyond its economic significance -- some \$20 billion -- the CAFTA vote will have huge symbolic importance for the United States and its role in the world. It will be carefully scrutinized by countries and leaders in Southeast Asia, the Middle East and South America for signs as to whether this country remains committed to the idea that free trade presents an enduring means to sustainable development, and that free-trade agreements are the best mechanisms for reinforcing political links between the United States and some of its most important foreign partners.

For example, as the prosperity delivered by the North American Free Trade Agreement (NAFTA) aided Mexico's own democratization process, CAFTA, and the Andean free-trade accord being negotiated, may soon also serve as economic linchpins that strengthen liberal democracies throughout Central America. CAFTA and similar agreements provide hard evidence of America's lasting commitment to strengthening alliances, fighting global poverty and creating the building blocks of democracy.

Countries with trade agreements completed or under negotiation, including Bahrain, the United Arab Emirates, Morocco, Thailand and South Africa, rightly view CAFTA as a harbinger of their immediate fate. Prospective candidates for agreements, such as

Malaysia, Indonesia, Egypt and Korea, similarly see CAFTA as an indicator of America's ability to remain economically engaged. Congress must not lose sight of the fact that many of these countries play significant roles in the high-stakes effort to curb the growth of terrorist extremism.

Just as important, CAFTA's fate will prove of interest to leaders in Brussels and Beijing for similar reasons. The European Union is pursuing a global trade strategy that seeks to establish regulatory standards throughout the world that are favorable to European industry and that put U.S. companies vying for market access at a disadvantage. The E.U. is the largest trade partner for the group of South American nations in the Mercosur market group. Efforts from Brussels to expand this and other relations in the Western Hemisphere would be greatly aided by the failure of CAFTA.

China, meanwhile, spent much of 2004 sowing the seeds of a vibrant economic diplomacy throughout South America. During an unprecedented regional trip in November, Chinese leader Hu Jintao wielded promises of nearly \$30 billion in new Chinese investment to secure recognition from Argentina and Brazil for China's status as a market economy. Globally, China has seized the offensive on trade as well, announcing a voluntary tax on Chinese textile exports in a bid to mute criticism of China's increasing market power. As China seeks a leadership role among developing nations, the United States should look to expand, not limit, its regional trade commitments.

Congress and America's free-trade constituencies -- manufacturers and service providers, farmers, ranchers and knowledge-based industries -- must recognize that the free-trade agreements they desire fit into much larger issues of foreign policy. Members of Congress, in particular, must end the institution's traditionally parochial approach to trade and acknowledge that free trade has become a significant contributor to valuable foreign policy objectives.

President Bush, in announcing Zoellick's move to the State Department, proclaimed that he would choose a new trade representative who would continue the mission to "spread free trade around the world." The simple truth of U.S. trade policy is that, in 2005, it is no longer merely about trade but is an often unacknowledged pillar of foreign policy. The first task of the president's choice for U.S. trade representative is to make this truth evident to Congress.

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